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G-2 Comments on 1952 Soviet Budget Emphasizing  
Military Expenditures - Report Number 160, 14 March 1952

1. G-2 refers to the 1952 budget data as fragmentary. A breakdown of expenditures based on the broad categories of National Economy, Social and Cultural, Armed Forces, Administration and "Unaccounted for" is shown for 1950, 1951, and 1952. Total revenues and surplus are also shown for the same years. The greater part of the article, by far, is devoted to an attempt to analyze the military budget, the essence of which follows.

2. For 1951 the plan figure of 96.4 billion rubles (21.9% of total) is given for military expenditures. This figure is used because as stated "actual expenses are not given." This does not confirm Moscow Embassy on this point. For 1952 the plan figure of 113.8 billion rubles (23.9% of total) is shown. The increase is 18%. It is stated that "the armed forces expenditures, as was to be expected, will be the largest for any postwar year." The figures for armed forces expenditures from 1946 through 1952 are given as follows: (in billions of rubles)

1946	-	72.6	1950	-	82.9
1947	-	68.4	1951	-	96.4
1948	-	66.3	1952	-	113.8
1949	-	79.0			

3. In explaining increased military expenditures, G-2 places emphasis on increased expenditures (a) increased capital investments in retooling of munitions factories for production of improved weapons, (b) a slight increase in munitions production, and (c) military expenditures in support of Korean forces in North Korea. It is pointed out that (1) new and improved aircraft and tanks are being produced in quantity requiring new machine tools and other equipment, (2) no significant increases in army weapons and equipment have been noted and numerical strength of armed forces fairly stable for several years, and (3) that strategic minerals from North Korea appear to balance military shipments to North Korean forces. Emphasis thus seems to be on cost of development and production of new military equipment and armament.

4. G-2 gives its view of concealed military expenditures in essence as follows: Soviet military expenditures for 1952, based on the official exchange rate of twenty-five cents to the ruble, are approximately 28.5 billion dollars. They question the usefulness of this figure, however,

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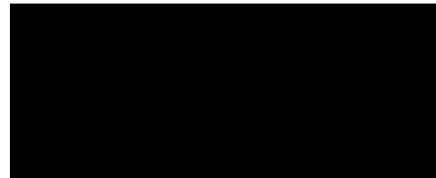
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because (a) the Soviet price system is complex with the value of the ruble varying greatly with the kind of item purchased, (b) the ministries of War and Navy apparently do not pay turnover tax which greatly inflates Soviet market prices to other agencies, (c) the armed forces budget does not contain all expenses properly classified as military expenditures, (d) the Soviets claim their Atomic Energy Program is mainly for peaceful purposes and would therefore draw largely on the 143.1 billion dollar allocation for "capital investments," (e) the remaining 37.7 billion rubles (out of a total of 180.4 billions) earmarked for the "National Economy figure" presumably is used for stockpiling, subsidies and other activities, part of which may also be for the benefit of the armed forces.

5. G-2 also states that other segments of the budget may be tapped for quasi-military uses such as "Administration" for Soviet security forces and perhaps "Social and Cultural" for "Scientific Development" (referred to in the 1951 budget) which may include military problems. They conclude that the data given in the 1952 budget are insufficient to provide a basis for these and other hidden expenses and show the progressively greater restrictions on publication of information relating to war potential.

6. These speculations are qualitatively sound but add very little in the production of a quantitative estimate of USSR military expenditures.

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